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12 DEC 1979

MEMORANDUM FOR: Deputy Director of Security (PTOS)

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FROM: [REDACTED]

Chief, Industrial Security Branch,  
Office of Security

SUBJECT: Industrial Security Branch Past Performance  
and Future Objectives (U)

1. At its founding in late 1977, the Industrial Security Branch (ISB) of the Office of Security (OS) was given one of its principal missions, the charge to conduct periodic, and until just recently, unannounced, comprehensive security audits of Agency industrial contractor facilities. Since that time, some 110 such audits have been conducted. In September and October 1979, after conducting its usual preaudit research and interviews with the Headquarters contracting elements concerned, ISB conducted audits of four industrial contractors only to find that they had no active Agency contracts. This came as a complete surprise, because the contractors had been selected from priority lists established by the Office of Logistics (OL) and the Office of Development and Engineering (OD&E), and the responsible Headquarters security elements were under the impression that those contractors were actively involved in Agency-related business. (C)

2. This development caused both Branch and Division management to question whether the ISB had run out of "substantive" contractors to audit. Our research now shows that we have not. We have found, for example, 8 additional OL industrial contractors with Sensitive Compartmented Information (SCI) contracts, and 33 additional OL industrial contractors with TOP SECRET collateral classified contracts. We will add these to our existing industrial contractor lists, and will commence auditing them during calendar year 1980. (U)

WARNING NOTICE  
INTELLIGENCE SOURCES  
AND METHODS INVOLVED

DERIVATIVE CL BY [REDACTED] 25  
 DECL X REVW ON 6 Dec 99  
DERIVED FROM A9c5.2, 6.1

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3. The ISB, in addition to continuing its already established audit program, plans soon to begin reaudits of a significant number of those industrial contractors audited since 1977. With only seven field auditors currently assigned to the Branch, we will necessarily be concentrating on the quality, rather than the quantity, of audits and reaudits. Nevertheless, we anticipate that our total number of audits conducted during Fiscal Year 1980 will compare very favorably with the 54 conducted during Fiscal Year 1979; to date in this Fiscal Year, we have already conducted 16, and another is scheduled to begin this week. (C)

4. To round out our ISB program for Fiscal Year 1980, we plan, by 30 March 1980, to implement a 1-week Industrial Security Officer Training Course, which we would then offer on a scheduled basis to Security Officers serving with Agency contracting elements. We would plan to keep these classes small, but offer the course two or more times a year, as necessary. Last, but not least, planning will begin early in 1980 for our third annual Industrial Security Conference. We expect, during January, to solicit the cooperation of a number of the Agency's industrial contractors in this endeavor. (U)

5. As we move forward through our audit and reaudit schedule during the next several months, it may appear advisable to devote Branch assets to a security education program directed specifically at industrial contractors, and also to hold industrial security conferences more often than just once a year. Management decisions in these areas will be required by July 1980, to permit orderly planning for the following Fiscal Year. Assignment of personnel assets to these tasks will, of course, depend upon OS and ISB priorities at that time. In establishing ISB priorities, it must not be forgotten, however, that the ISB audit and reaudit activity provides the Director of Security with his only independent oversight of the Agency's industrial contractor security posture. (C)

6. In August 1977, when addressing the Los Angeles, California, Chamber of Commerce, the Director of Central Intelligence described the state of security in industry as

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"appalling." On 3 December 1979, in its "Letters to the Editor" column, Newsweek magazine published a letter from Admiral Turner in which he described the state of security in industry as "heartening." Clearly, the Industrial Security Branch is achieving the results foreseen at its establishment. I believe every member of the Branch can be justly proud of his or her contribution to that goal. (U)



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### OFFICIAL ROUTING SLIP

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2	C /PSD	14 APR 1980	85/8
3	AC/15Br		
4	Field Branch Count		
5	30 Apr 80		
6			
ACTION	DIRECT REPLY	PREPARE REPLY	
APPROVAL	DISPATCH	RECOMMENDATION	
COMMENT	FILE	RETURN	
CONCURRENCE	INFORMATION	SIGNATURE	

Remarks:

While we never did have a specific discussion with [REDACTED] it may no longer be necessary. Personally I think Albie's papers are right on target though our goal is now 50 audits/audits. The ISO course is somewhat delayed from the original planning, but is in good shape. The annual conference in Sept. is still a ways off, but planning should be underway soon. Do you still want [REDACTED] report to sender?

FROM: NAME, ADDRESS AND PHONE NO.	DATE	
c/psd	9 Apr 80	
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Approved For Release 2002/01/09 : CIA-RDP96B01172R000800040010-0

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